

SECOND DRAW PPP GUIDANCE: "GROSS RECEIPTS" FOR NONPROFITS

CONTENTS

(AND WHERE TO FIND THEM IN THE VIDEO)

- Why gross receipts matter (0:36 1:19)
- How nonprofit gross receipts are defined (1:20 2:53)
- How to do a quarterly comparison (2:54 6:13)
- How to do an annual comparison (6:14 7:55)
- Where to find gross receipts on tax filings (7:56 9:29)
- Whether to include affiliates (9:30 10:54)
- How to calculate your reduction (10:55 11:47)
- Other questions? (11:48 12:27)



WHY DO GROSS RECEIPTS MATTER?

- 2nd Draw PPP loans are only available to the hardest hit borrowers
- To be eligible, you must show **25% or more reduction** in gross receipts in 2020, as compared to 2019
- SBA Guidance: Second Draw PPP Loans: How to Calculate
 Revenue Reduction and Maximum Loan Amounts Including What
 Documentation to Provide (sba.gov)



NONPROFIT GROSS RECEIPTS

Gross amount received from all sources, without reduction for costs or expenses such as cost of goods/assets sold, cost of operations, or expenses of earning, raising, or collecting such amounts (as defined by IRC Section 6033)

INCLUDE ✓

- Contributions, gifts, grants
- Dues & assessments
- Gross sales/receipts from business activities
- Sale of assets
- Investment income (interest, dividends, rents & royalties)

DON'T INCLUDE X

- Proceeds from transactions with Affiliates
- PPP loan proceeds
- EIDL advance proceeds



QUARTERLY COMPARISON

Comparison

- If your organization was:
 - In operation before 7/1/19: compare any quarter in 2019 with the same quarter in 2020
 - Not operating until after 6/30/19: compare Q3 or Q4 2019 with any quarter in 2020
 - Not operating until after 9/30/19: compare **Q4 2019** with **any quarter in 2020**
 - Not operating until after 12/31/19: compare **Q1 2020** with **any other quarter in 2020**
- SBA requires use of calendar quarters
 - January 1 March 31, April 1 June 30, July 1 September 30, October 1 December 31

Documentation (one of the following)

- Quarterly financial statements for the quarters being compared
 - If unaudited, sign & date first page & initial all other pages, to attest accuracy
 - Annotate which line items constitute gross receipts
- Monthly bank statements for the quarters being compared
 - Annotate which deposits constitute gross receipts (e.g., payments for purchases of goods and services) and which do not (e.g., capital infusions)
- Annual IRS income tax filings of the borrower for 2019 and 2020
 - If you have not yet filed your 2020 IRS 990, prepare a draft (sign & date, to attest accuracy)
 - SBA may require a copy of your final filed IRS 990 at forgiveness



ANNUAL COMPARISON

Comparison

- Compare 2019 IRS 990 to 2020 IRS 990
- To choose the annual option, you must either operate on a calendar year, or on a non-calendar fiscal year starting by the first day of April

Documentation

- Annual IRS 990 of the borrower for 2019 and 2020
- If you have not yet filed your 2020 IRS 990, prepare a draft (sign & date, to attest accuracy)
- SBA may require a copy of your final filed IRS 990 at forgiveness



IRS FORM 990 - GENERALLY

Form 990	Return of Organization Exempt From Income Tax		OMB No. 1545-0047
	Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundat		1tions) 20 20
Department of the Treasury Internal Revenue Service			Open to Public Inspection
A For the 2020 calen	dar ye		, 20
B Check if applicable:	USE LINE G (GROSS RECEIPT	rs)	oloyer identification number
Address change	Doi		
Name change	Nur		phone number
Initial return			
Final return/terminated	City or town, state or province, country, and ZIP or foreign postal code		
Amended return		G	Gross receipts USE THIS
Application pending	F Name and address of principal officer:	H(a) Is this a group r	eturn for subordinates? Yes No
		H(b) Are all subo	rdinates included? Tyes No
I Tax-exempt status:	501(c)(3) 501(c) () ◀ (insert no.) 4947(a)(1) or 527	If "No," attac	ch a list. See instructions
J Website: ► H(c) Group exemption number ►			
K Form of organization:	Corporation ☐ Trust ☐ Association ☐ Other ► L Year of formation	: М	State of legal domicile:
Part I Summary			
Briefly describe the organization's mission or most significant activities:			

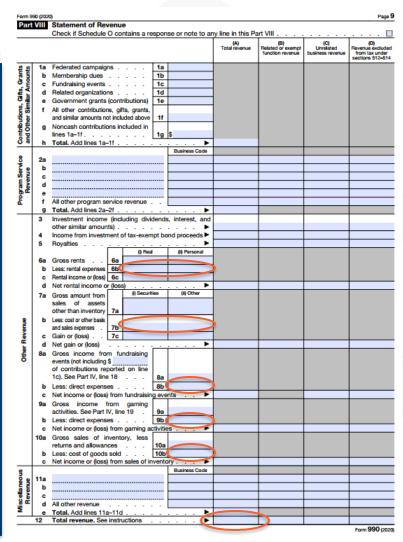


IRS FORM 990 - SPECIFICALLY

Part VIII (Statement of Revenue):

LINE 12 (Column A total revenue)

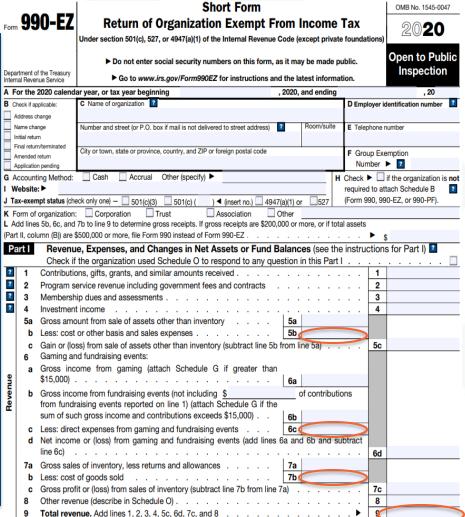
- + LINE 6b(i) & (ii) (rental expenses)
- + LINE 7b(i) & (ii) (cost or other basis)
- + LINE 8b (direct expenses)
- + LINE 9b (direct expenses)
- + LINE 10b (COGS)
- = Gross Receipts





IRS FORM 990-EZ

Department of the Treasury nternal Revenue Service A For the 2020 calendar year, or tax year beginning C Name of organization Name change Part I (Revenue, Expenses ...) K Form of organization: Corporation LINE 9 (total revenue) + LINE 5b (cost or other basis) + LINE 6c (direct expenses) ? ? + LINE 7b (COGS) = Gross Receipts Gaming and fundraising events:





AFFILIATES

- In general, include gross receipts of all Affiliates
- New Affiliates:
 - Gross receipts includes the Affiliate's receipts for the entire measurement period (not just following the acquisition)
 - If you acquired a segregable division of an Affiliate during 2020, gross receipts include the division's receipts only following the acquisition
- Former Affiliates:
 - Exclude receipts for the entire measurement period (not just following the end of the affiliation)
 - If you sold a segregable division, include the division's receipts prior to sale
- Affiliation rules are waived for:
 - Businesses with NAICS code 72 & not more than 300 employees
 - News organizations majority owned/controlled by NAICS code 511110 or 5151 & not more than 300 employees per physical location
 - Nonprofits with NAICS code 5151
- SBA Guidance to determine whether you have Affiliates: Affiliation Rules for Paycheck Protection Program (sba.gov)



CALCULATING YOUR REDUCTION

- Calculate your Gross Receipts for 2019 and 2020 (or for chosen quarters)
- Divide 2020 Gross Receipts by 2019 Gross Receipts
- Subtract this result from 1 to determine your % reduction
 - Example:
 - 2019 gross receipts = \$50,000
 - \$ 2020 gross receipts = \$30,000 \$30,000/\$50,000 = 0.6

1 - 0.6 = 0.4

40% reduction: **ELIGIBLE**

IF REDUCTION IS 25% OR MORE, YOU MEET THE GROSS RECEIPTS TEST FOR A 2nd DRAW PPP LOAN



OTHER QUESTIONS?

Visit Paycheck Protection Program Loans | Self-Help Federal Credit Union (self-helpfcu.org)

PPP Loan Guidance

Please see the Tools & Resources below for current information to help you navigate the PPP loan process. Self-Help is monitoring updates from Congress, the Treasury Department and SBA for any changes to the program and will update this page with new information as it becomes available.

Tools & Resources

Self-Help Resources

- Have questions on PPP? Find answers to commonly asked questions in our <u>PPP FAQ</u> (updated as of February 8, 2021)
- Guidance by Entity/Tax Filing
- Economic Aid Act Quick FAQ December 27, 2020
- ¿Tiene Preguntas de Perdón? Encuentre Respuestas

Additional Resources

- SBA Guidance <u>How to Calculate 1st Draw PPP Loan</u>
 <u>Amount</u>
- SBA Guidance How to Calculate 2nd Draw PPP Loan Amount
- Small Business Administration PPP Guidance: <u>https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-</u>

